

## Message Text

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TOKYO FOR M.S. SOMECK, REGMARATT

FOR COMMERCE

E.O. 11652: N/A

TAGS: ETRN, ETRD, KS

SUBJECT: MAJOR PROJECTS: KOREAN SHIPBUILDING INDUSTRY

REF: A. SEOUL'S A-070, 2/21/73 B. SEOUL 4207 C. SEOUL 4208

SUMMARY: SEVERAL COMPANIES ARE PLANNING MAJOR SHIPYARD INVESTMENT PROJECTS WHICH, WHEN COMPLETED, WILL MAKE KOREA ONE OF WORLD'S LEADING SHIPBUILDING NATIONS. PROJECTS OFFER SIGNIFICANT OPPORTUNITIES FOR U.S. MANUFACTURERS OF SHIPBUILDING MACHINERY, AND SHIPBOARD EQUIPMENT, AS WELL AS US BANKS AND PERHAPS US SHIP-BUILDERS DESIRING TO INVEST IN FOREIGN YARDS. COMMERCE IS REQUESTED MAKE SPECIAL EFFORT TO STIMULATE U.S. BUSINESS INTEREST IN THESE PROJECTS. THIS CABLE SUMMARIZES SPECIFIC SHIPYARD PROJECTS. END SUMMARY.

1. DEVELOPMENT PROSPECTS ARE BRIGHT FOR THIS FLEDGLING KOREAN INDUSTRY, DUE TO COMBINED EFFECT OF WORLD DEMAND FOR NEW TONNAGE, OFFICIAL ENCOURAGEMENT FOR CONSTRUCTION OF SEVERAL NEW YARDS, (SEE SEOUL'S ) AND LOW KOREAN LABOR COSTS RELATIVE TO OTHER SHIPBUILDING NATIONS. MODEST SHIPBUILDING SCHEME ANNOUNCED PREVIOUSLY HAS BEEN EXPANDED TO BECOME PART OF SPECIAL HEAVY AND CHEMICAL INDUSTRY PROMOTION PROGRAM. ROK GOVERNMENT HAS UNCLASSIFIED

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SUGGESTED THAT INDUSTRY CONSTRUCT FIVE NEW SHIPYARDS TO BUILD VERY AND ULTRA LARGE CRUDE CARRIERS PLUS FOUR NEW YARDS FOR SMALLER VESSELS. GOVERNMENT HAS DESIGNATED KOJE ISLAND AS INDUSTRIAL PARK FOR SHIPYARD, AND WILL ASSIST IN PROVIDING

INFRASTRUCTURE FACILITIES. INVESTMENT GUIDELINES HAVE BEEN ANNOUNCED, AND SEVERAL FIRMS ARE NOW COMPETING TO OBTAIN FINANCING AND GOVERNMENT APPROVAL FOR THEIR PROJECTS. EACH VLCC YARD WILL HAVE 750,000-1,000,000 DWT CAPACITY BUILDING DOCKS.

2. THESE YARDS, WHEN COMPLETED, WILL HAVE THE CAPACITY TO MAKE KOREA A SIGNIFICANT FACTOR IN WORLD SHIPBUILDING, AND MAY ENABLE COUNTRY TO SURPASS JAPAN AS EXPORTER OF SHIPS BY MID-1980S. ANNUAL PRODUCTION CAPACITY IS FORECAST AS 7.2 MILLION GROSS TONS BY 1985. AS FOREIGN EXCHANGE COST FOR EQUIPPING ONE VLCC YARD RANGES FROM \$55-80 MILLION, EUROPEAN FIRMS AND, MORE RECENTLY, JAPANESE ONES ARE ACTIVELY PURSUING THIS BUSINESS. FOR THE MOST PART, HOWEVER, INDUSTRY PLANNING IS STILL IN FORMATIVE OR PRELIMINARY STAGES, AND AGGRESSIVE U.S. MANUFACTURERS/EXPORTERS OF SHIPYARD OR SHIPBOARD MACHINERY, ENGINEERING AND CONSULTING FIRMS EXPERIENCED IN THIS FIELD, OR U.S. SHIPBUILDING FIRMS SEEKING OVERSEAS INVESTMENT STILL HAVE OPPORTUNITY TO PARTICIPATE, ESPECIALLY IF THEY CAN ARRANGE FAVORABLE FINANCING TERMS TO DISPLACE EUROPEAN COMPETITORS. PACKAGE ARRANGEMENTS INVOLVING EXIM BANK BACKING AND TURNKEY CONSTRUCTION ARE PROBABLY MOST EFFECTIVE MEANS.

3. AMERICAN BUSINESSMEN INTERESTED IN SUPPLYING OR INVESTING IN WHAT MAY BECOME A MAJOR NEW INDUSTRY IN KOREA SHOULD GET IN TOUCH NOW WITH ONE OR MORE OF FIRMS NAMED BELOW. OF PROJECTS LISTED, SO FAR ONLY HYUNDAI AND KOREA SHIPBUILDING HAVE APPROVAL OR ASSURANCE THEREOF. GOVERNMENT AUTHORITIES ARE STILL WAITING FOR OTHER COMPANIES TO FINALIZE PROJECT PLANS AND SUBMIT FORMAL APPLICATIONS FOR APPROVAL. GENERALLY, ONLY THOSE PROJECTS WITH SOUND FINANCIAL STRUCTURE AND GOOD MARKETING PROSPECTS WILL BE APPROVED.

4. COMPANIES WITH PROJECTS UNDERWAY OR CONTEMPLATED ARE:

A. KOREA SHIPBUILDING AND ENGINEERING CORPORATION,  
IPO BOX 1520, SEOUL, KOREA, MR. RYUN NAMKOONG, PRESIDENT.  
WORLD TRADE DIRECTORY REPORT (WTDR) DATED APRIL 1973 IS  
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AVAILABLE. GOVERNMENT APPROVED \$100 MILLION VLCC BUILDING AND REPAIR YARD, TO BE BUILT AT OKPO BAY, KOJE ISLAND. INTERESTED FULL RANGE SHIPYARD AND SHIPBOARD MACHINERY. APPLYING FOR U.S. EXIM BANK FINANCING.

B. HYUNDAI CONSTRUCTION CO., LTD., IPO BOX 1826 SEOUL.  
MR. SAE CHUNG OH, DIRECTOR AND SHIPYARD PROJECT MANAGER.  
WTDR MARCH, 1972. GOVERNMENT APPROVED EXPANSION OF EUROPEAN FINANCED \$70 MILLION VLCC YARD AT ULSAN. HAS CONTRACTS FOR SIX VLCC'S. INTERESTED IN SHIPBOARD EQUIPMENT, AND VLCC/ULCC DESIGNS. (SISTER FIRM, HYUNDAI INTERNATIONAL, IS AGENT FOR A U.S. MARINE GAS TURBINE MAKER.)

C. KUK DONG SHIPBUILDING CO. LTD., C.P.O. BOX 5332, SEOUL.  
MR. YONG SAN KIM, PRESIDENT. JOINT VENTURE OF SWAN HUNTER  
SHIPBUILDERS, (UNITED KINGDOM) AND GROUP OF KOREAN FIRMS  
ORGANIZED BY KUKDONG CONSTRUCTION FOR \$80 MILLION VLCC YARD  
AT SAM CHEON PO. EQUITY IS KUKDONG \$10 MILLION, SWAN HUNTER  
\$5 MILLION; REMAINING \$55 MILLION TO BE BORROWED. THIS FIRM IS  
INTERESTED IN U.S. SHIPYARD MACHINERY, IF COMPETITIVELY PRICED  
OR IF US FIRM CAN OFFER FINANCING BETTER THAN SUPPLIERS CREDITS  
OR EURODOLLAR BANK LOANS NOW TENTATIVELY ARRANGED.  
KUKDONG WOULD WELCOME SOME U.S. FINANCING WITH EXIM PARTICIPATION.  
CLAIMS TO HAVE ORDER FROM MARITIME FRUITS (ISRAEL) FOR  
THIRTY VLCC'S, WITH ALL SHIP COMPONENTS TO BE SUPPLIER BY BUYER.  
U.S. SHIPBUILDING EQUIPMENT SUPPLIERS INTERESTED IN THIS  
PROJECT SHOULD ALSO CONTACT DR. F. TAYLOR, DIRECTOR, SWAN HUNTER  
SHIP-BUILDERS, WALLSEND, NORTHUMBERLAND, U.K.

D. SAMYANG NAVIGATION CO. LTD., NAMGANG BUILDING, 32-2 MUGYO-DONG  
CHUNG-KU, SEOUL. MR. BYUNG KI HAN, CHAIRMAN. WTDR JULY 1970.  
FIRM IS COORDINATING JOINING EFFORT BY SAMYANG, DONG-AH CONSTRUCTION  
CO. LTD. (WTDR DECEMBER 1970) AND KOREA EXPRESS COMPANY (WTDR  
JULY 1972) FOR \$80 MILLION VLCC YARD ON SOUTH COAST. SEPARATE  
DISCUSSIONS WITH EUROPEAN FIRMS, ONE U.S. INVESTMENT BANKER,  
AND JAPANESE FIRMS ARE ALREADY UNDERWAY. FIRM IS INTERESTED  
IN ADDITIONAL INVESTMENT PROPOSALS: ALSO, WANTS FULL RANGE  
SHIPYARD AND SHIPBOARD EQUIPMENT.

E. KOREA WONYANG FISHERIES CO. LTD., 175-87 ANGUK-DONG,  
CHONG RO-KU, SEOUL. MR. YONG KARK KIM, EXECUTIVE VICE PRESIDENT.  
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WTDR MAY 1973. JOINT VENTURE (TO BE NAMED KORYO SHIPBUILDING)  
WITH HAKODATE DOCK (JAPAN, 45 PCT EQUITY) FOR \$30 MILLION LARGE  
RANGE TANKER YARD AT KOJE ISLAND. INTERESTED IN FINANCING 25  
MILLION LOAN, AND IN OBTAINING FULL RANGE SHIPYARD AND SHIPBOARD  
EQUIPMENT.

F. JINIL MACHINE INDUSTRIAL CO., LTD., MASAN, CONTACT COMPANY'S  
SEOUL OFFICE: MR. H.S. LEE, MANAGING DIRECTOR, DONGHEUNG  
BLDG 602-3, 11-3 KWANCHUL-DONG, CHONGRO-KU, SEOUL. HAS SINGAPORE  
ORDER FOR TEN LOG CARRIERS OF 7,500 DWT EACH AND PLANS TO BUILD  
MEDIUM SIZE YARD FOR SHIPS UP TO 50,000 DWT (MAXIMUM ANNUAL  
CAPACITY 250,000 DWT) ON KOJE ISLAND. COMPANY IS SMALL MARINE  
ENGINE MANUFACTURER NOW AND IS INTERESTED IN INVESTMENT PROPOSAL FOR  
SHIPYARD AS WELL AS FULL RANGE SHIPYARD MACHINERY.

5. SEVERAL OTHER SHIPBUILDING PROJECTS ARE BEING CONSIDERED  
BY SAMSUNG GROUP, HANJIN GROUP, TONG YANG GROUP, Hwashin Industrial  
CO. INC. (WTDR AUG. 1971) AND PAN OCEAN BULK CARRIERS LTD.  
(WTDR MAY 1970) DETAILS ON THESE WILL BE REPORTED AS THEY  
BECOME AVAILABLE.

6. EMBASSY BELIEVES THAT THESE PROJECTS OFFER EXCELLENT EXPORT

OPPORTUNITY FOR U.S. BUSINESS. IF AS MANY AS FIVE NEW VLCC SHIPYARDS PROVE FEASIBLE, TOTAL VOLUME OF IMPORT EQUIPMENT REQUIREMENTS WOULD BE WELL IN EXCESS OF \$250 MILLION. EVEN IF ONLY TWO OR THREE ADDITIONAL YARDS ARE APPROVED, THE IMPORT EQUIPMENT REQUIREMENT WILL STILL BE LARGE, AND THEREFORE, EACH PROJECT IS WORTH PURSUING. ROK GOVERNMENT INTEREST IN THIS INDUSTRY VIRTUALLY INSURES THAT THESE YARDS WILL BE BUILT.

7. MORE DETAILS ON ROKG PLANS AND GUIDELINES AND ON TYPES OF MACHINERY NEEDED APPEAR IN REFTELS B AND C.

8. COMMERCE IS REQUESTED TO MAKE THIS INFORMATION AVAILABLE TO APPROPRIATE U.S. FIRMS AND URGE THAT THEY INVESTIGATE THESE OPPORTUNITIES AS SOON AS POSSIBLE. PLEASE CONTACT ENGINEERING FIRMS, MAKERS OF CRANES, PRESSES, WELDING MACHINES, FLAME CUTTERS, TRANSPORTER SYSTEM AND SHOT BLAST MACHINERY, AN U.S. SHPBUILDERS. ANY U.S. COMPANIES INTEREST MIGHT WITH ADVISE EMBASSY SO WE CAN ASSIST, IF NEEDED, IN MAKING CONTACT WITH KOREAN FIRMS.

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